

**KANOSH TOWN**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

# **C O N T E N T S**

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# Kimball & Roberts

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Kanosh Town  
Kanosh, Utah 84637

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kanosh Town as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kanosh Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kanosh Town Corporation as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2007, on our consideration of Kanosh Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 14 and 41 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Town Board  
Kanosh Town

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kanosh Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Kanosh Town. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 7, 2007  
Richfield, Utah

# **KANOSH TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2007**

This discussion of Kanosh Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2007. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation.

## **Financial Highlights**

- \* The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,657,426 (net assets). Of this amount, \$645,478 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- \* The government's total net assets increased by \$19,802. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- \* At the close of the current year, the Town's governmental funds reported ending fund balance of \$317,549, a increase of \$3,140 in comparison with the prior year. Approximately 88 percent of this total amount, \$281,294, is available for spending at the government's discretion (unreserved fund balance).
- \* At the end of the current year, unreserved fund balance for the general fund was \$100,508, or 66 percent of total general fund expenditures.
- \* The Town's total debt decreased by \$16,000 during the current year.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, public health, highways and streets, and parks and recreation. The business-type activities of the Town are electric and water operations.

Refer to the table of contents for the location of the government-wide financial statements.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

## **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kanosh Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets. Refer to the table of contents for the location of the basic governmental fund financial statements.

## **Proprietary Funds**

Kanosh Town maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water operations. Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kanosh Town's, assets exceeded liabilities by \$1,657,426 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (57 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$645,478) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Kanosh Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	328,230	330,630	412,528	350,855	740,758	681,485
Capital Assets	346,806	390,536	899,592	927,809	1,246,398	1,318,345
Total Assets	675,036	721,166	1,312,120	1,278,664	1,987,156	1,999,830
Long-Term Liabilities	-	-	273,705	290,906	273,705	290,906
Other Liabilities	10,681	16,221	45,344	55,079	56,025	71,300
Total Liabilities	10,681	16,221	319,049	345,985	329,730	362,206
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	346,806	390,536	608,687	620,904	955,493	1,011,440
Restricted	36,255	65,041	20,200	20,200	56,455	85,241
Unrestricted	281,294	249,368	364,184	291,575	645,478	540,943
Total Net Assets	664,355	704,945	993,071	932,679	1,657,426	1,637,624

## Governmental Activities

Governmental activities decreased Kanosh Town's net assets by \$40,590.

### Kanosh Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	84,282	101,138	242,504	222,470	326,786	323,608
Operating Grants	34,921	33,026	-	-	34,921	33,026
Capital Grants	-	41,568	-	-	-	41,568
General Revenues:						
Property Taxes	6,536	5,787	-	-	6,536	5,787
Other Taxes	51,186	43,023	-	-	51,186	43,023
Connection Fees	-	-	17,565	-	17,565	-
Unrestricted Investment Earnings	17,990	16,054	14,834	10,823	32,824	26,877
<b>Total Revenues</b>	<b>194,915</b>	<b>240,596</b>	<b>274,903</b>	<b>233,293</b>	<b>469,818</b>	<b>473,889</b>
<b>Expenses:</b>						
General Government	46,470	75,441	-	-	46,470	75,441
Public Safety	48,421	31,901	-	-	48,421	31,901
Public Health	25,929	23,760	-	-	25,929	23,760
Highways and Public Improvements	76,024	68,003	-	-	76,024	68,003
Culture and Recreation	38,661	22,612	-	-	38,661	22,612
Water, Garbage & Landfill	-	-	214,511	272,462	214,511	272,462
<b>Total Expenses</b>	<b>235,505</b>	<b>221,717</b>	<b>214,511</b>	<b>272,462</b>	<b>450,016</b>	<b>494,179</b>
<b>Increase in Net Assets Before Transfers</b>	<b>(40,590)</b>	<b>18,879</b>	<b>60,392</b>	<b>(39,169)</b>	<b>19,802</b>	<b>(20,290)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets</b>	<b>(40,590)</b>	<b>18,879</b>	<b>60,392</b>	<b>(39,169)</b>	<b>19,802</b>	<b>(20,290)</b>
<b>Net Assets - Beginning</b>	<b>704,945</b>	<b>686,066</b>	<b>932,679</b>	<b>971,848</b>	<b>1,637,624</b>	<b>1,657,914</b>
<b>Net Assets - Ending</b>	<b>664,355</b>	<b>704,945</b>	<b>993,071</b>	<b>932,679</b>	<b>1,657,426</b>	<b>1,637,624</b>

\* The City received operating grants of \$34,921. The material grant amounts were; \$34,386 for Class C Roads, and \$535 for Liquor Law.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.



## **Business-Type Activities**

Business-type activities increased the Town's net assets by \$60,392.

- \* Due to increased electrical rates.
- \* The depreciation in the enterprise funds was the same as the prior year.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported combined ending fund balances of \$100,508, a increase of \$31,878 in comparison with the prior year. Approximately 100% percent of this amount (\$100,508) constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 67 percent of total general fund expenditures, while total fund balance represents 67 percent of that same amount.

### **Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the electric and water funds at the end of the year were \$364,184. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

There was no difference between the original and final budget. Actual revenues were less than budgeted revenues by \$81,685 and actual expenditures were less than budgeted expenditures by \$113,565 resulting in a net increase in fund balance of \$31,880.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

Kanosh Town's investment in capital assets for its governmental activities as of June 30, 2007, was \$346,806 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads.

The total decrease in the Town's investment in capital assets for the current year was \$43,730. There were no current acquisitions throughout the year.

### Kanosh Town's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	43,168	43,168	15,688	15,688	58,856	58,856
Infrastructure	175,273	201,986	-	-	175,273	201,986
Buildings	15,900	17,050	-	-	15,900	17,050
Improvements Other than Buildings	14,400	15,300	-	-	14,400	15,300
Water System	-	-	660,745	680,230	660,745	680,230
Electric System	-	-	223,159	231,891	223,159	231,891
Equipment	98,065	113,032	-	-	98,065	113,032
Total	346,806	390,536	899,592	927,809	1,246,398	1,318,345

Additional information on the Town's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$290,905. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

### Kanosh Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue Bonds	-	-	290,905	306,905	290,905	306,905

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

Additional information on Kanosh Town's long-term debt can be found in the notes of the financial statements.

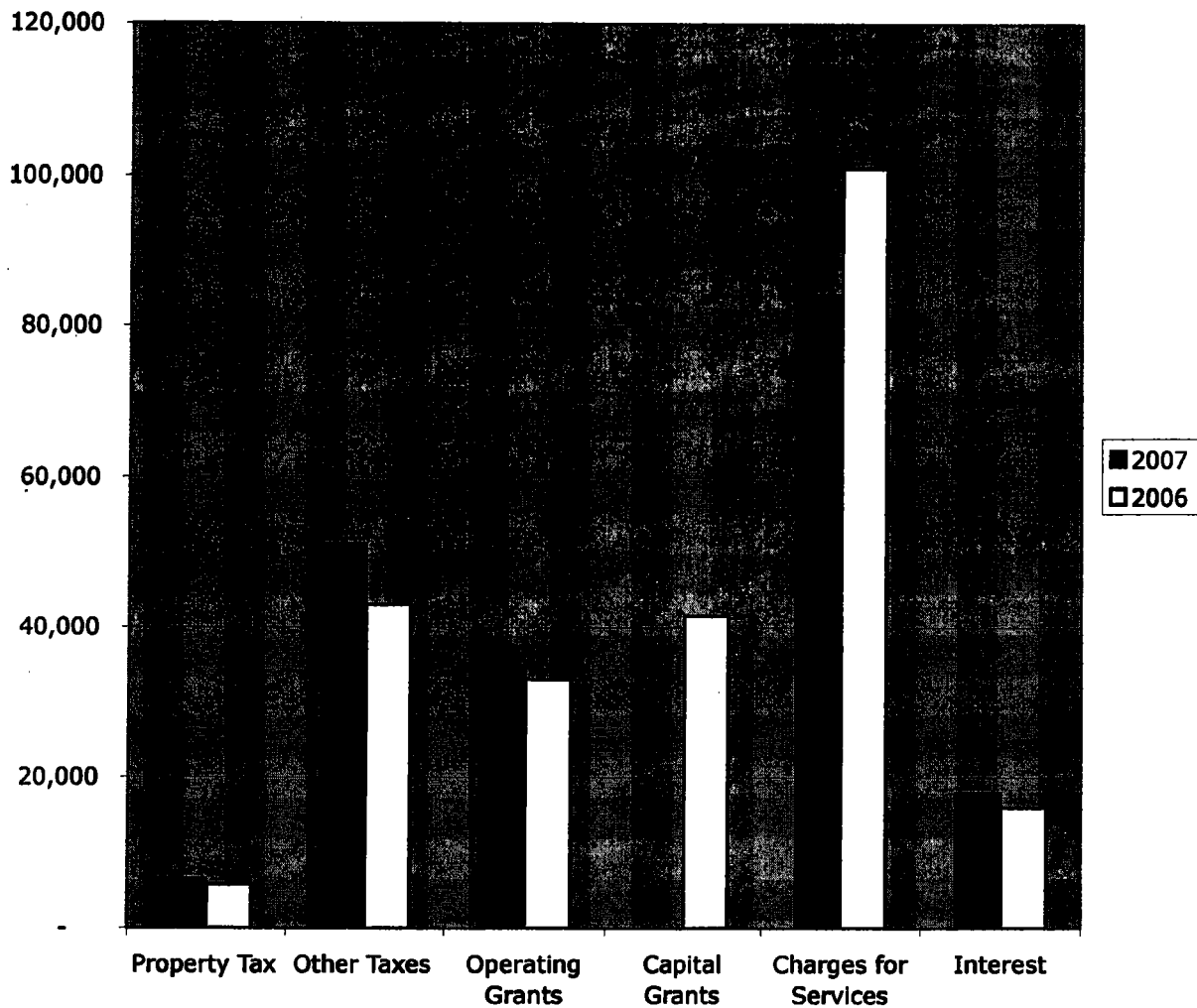
### Request for Information

This financial report is designed to provide a general overview of Kanosh Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kanosh Town Clerk, P.O. Box 96, Kanosh, Utah, 84637-0096.

**Kanosh Town  
Governmental Revenues  
For The Fiscal Years Ending June 30, 2007 and 2006**

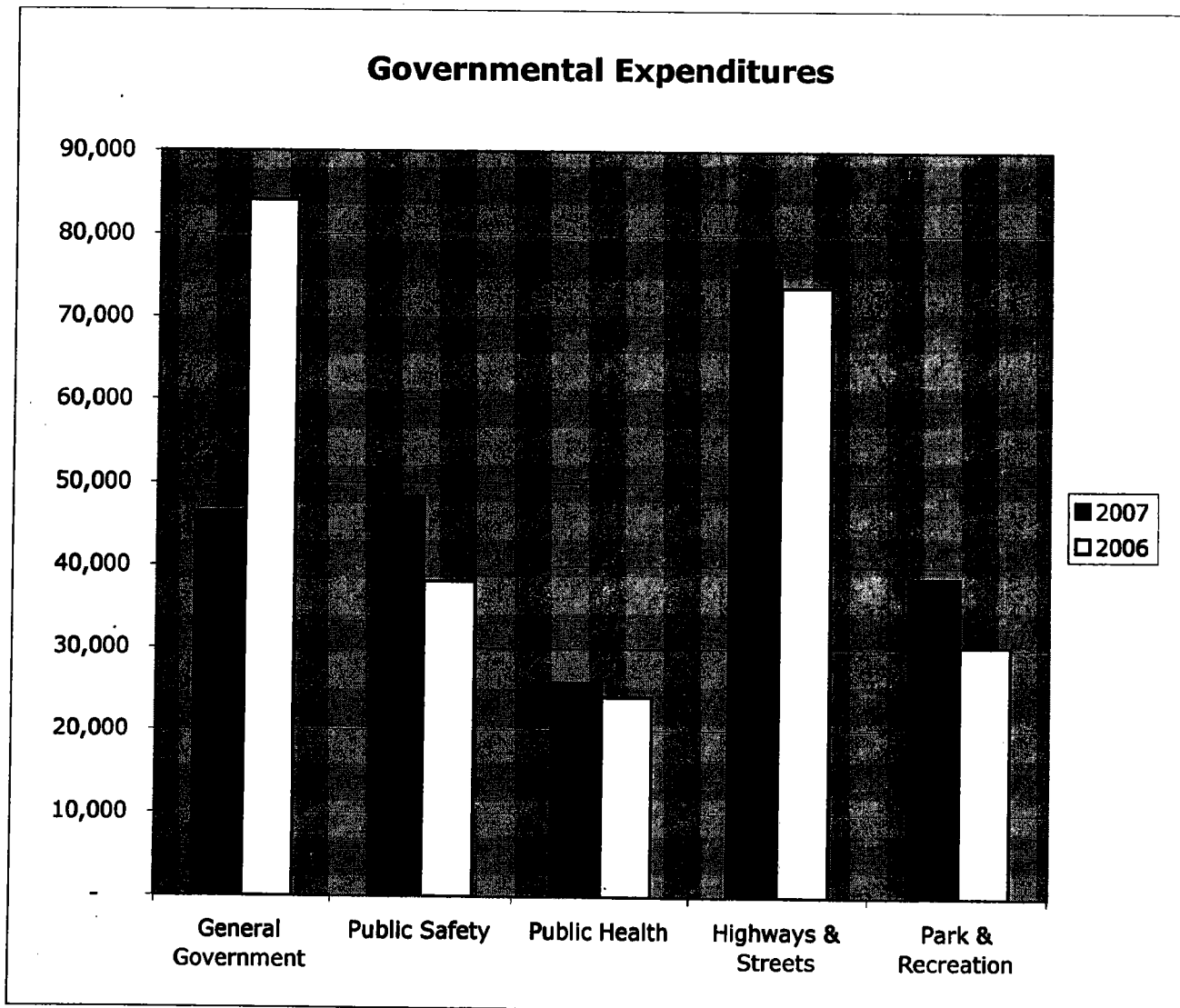
	2007	2006
Property Tax	6,536	5,787
Other Taxes	51,186	43,023
Operating Grants	34,921	33,026
Capital Grants	-	41,568
Charges for Services	84,282	101,138
Interest	17,990	16,054
<b>Total Revenues</b>	<b>194,915</b>	<b>240,596</b>

**Governmental Revenues**



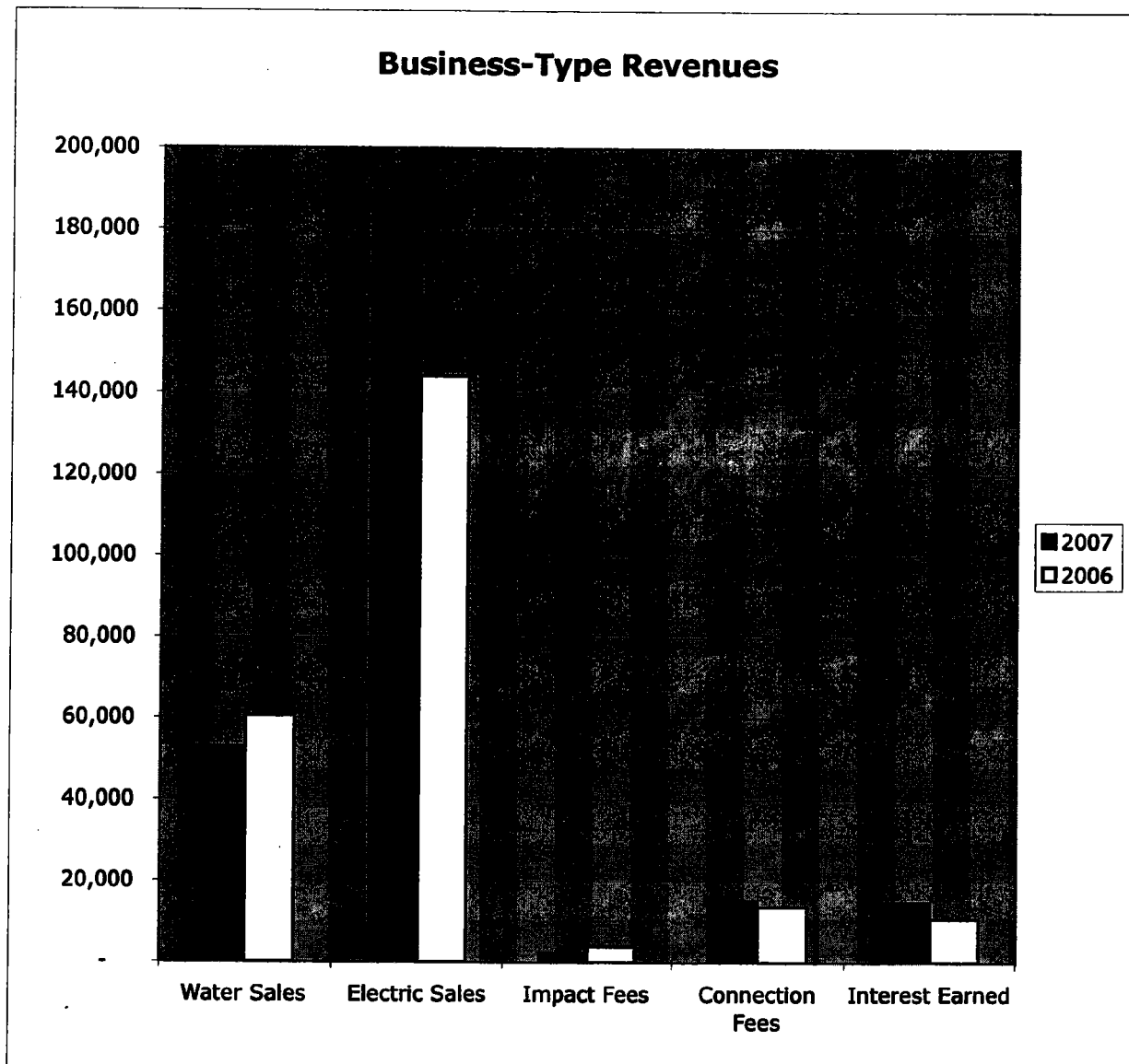
**Kanosh Town  
Governmental Expenditures  
For The Fiscal Years Ending June 30, 2007 and 2006**

	2007	2006
General Government	46,470	84,186
Public Safety	48,421	38,170
Public Health	25,929	24,138
Highways & Streets	76,024	73,686
Park & Recreation	38,661	30,325
Total Expenditures	235,505	250,505



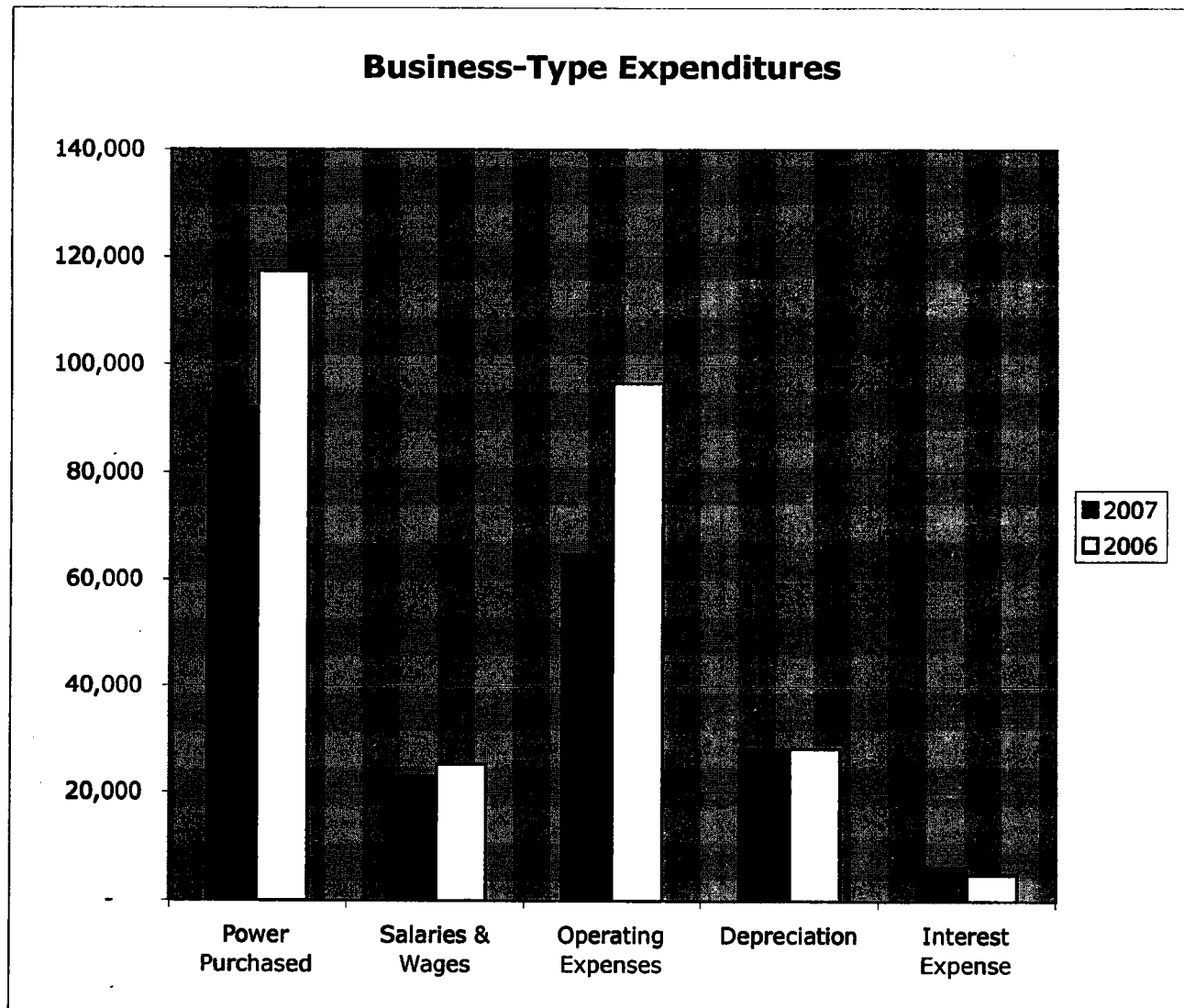
**Kanosh Town**  
**Business-Type Revenues**  
**For The Fiscal Years Ending June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Water Sales	52,944	60,619
Electric Sales	189,560	144,116
Impact Fees	2,248	4,000
Connection Fees	15,317	13,735
Interest Earned	<u>14,834</u>	<u>10,823</u>
 Total Revenues	 <u>274,903</u>	 <u>233,293</u>



**Kanosh Town**  
**Business Type Expenditures**  
**For The Fiscal Years Ending June 30, 2007 and 2006**

	2007	2006
Power Purchased	92,077	117,440
Salaries & Wages	23,066	25,295
Operating Expenses	64,800	96,483
Depreciation	28,217	28,217
Interest Expense	6,351	5,027
Total Expenditures	214,511	272,462





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# **BASIC FINANCIAL STATEMENTS**

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**KANOSH TOWN  
STATEMENT OF NET ASSETS**

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	318,195	367,173	685,368
Accounts Receivable (Net)	2,583	25,155	27,738
Due From Other Government Units	7,452	-	7,452
Total Current Assets	<u>328,230</u>	<u>392,328</u>	<u>720,558</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	20,200	20,200
Capital Assets (Net of Accumulated Depreciation)	<u>346,806</u>	<u>899,592</u>	<u>1,246,398</u>
Total Noncurrent Assets	<u>346,806</u>	<u>919,792</u>	<u>1,266,598</u>
<b>TOTAL ASSETS</b>	<u><b>675,036</b></u>	<u><b>1,312,120</b></u>	<u><b>1,987,156</b></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	10,681	19,343	30,024
Accrued Liabilities	-	1,311	1,311
Deposits Payable	-	4,940	4,940
Bond Interest Payable	-	2,550	2,550
Revenue Bonds Payable - Due Within One Year	-	17,200	17,200
Total Current Liabilities	<u>10,681</u>	<u>45,344</u>	<u>56,025</u>
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	273,705	273,705
<b>TOTAL LIABILITIES</b>	<u><b>10,681</b></u>	<u><b>319,049</b></u>	<u><b>329,730</b></u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	346,806	608,687	955,493
Restricted For:			
Bond Retirement	-	20,200	20,200
Perpetual Care	36,255	-	36,255
Unrestricted	<u>281,294</u>	<u>364,184</u>	<u>645,478</u>
<b>TOTAL NET ASSETS</b>	<u><b>664,355</b></u>	<u><b>993,071</b></u>	<u><b>1,657,426</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>675,036</b></u>	<u><b>1,312,120</b></u>	<u><b>1,987,156</b></u>

The notes to the financial statements are an integral part of this statement.



**KANOSH TOWN  
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2007

Function/Programs	Net (Expense) Revenues and Changes in Net Assets			
	Program Revenues		Business-Type Activities	
	Charges for Operating Grants/ Services	Capital Grants/ Contributions	Governmental Activities	Total
<b>Governmental Activities:</b>				
General Government	46,470	-	(34,429)	(34,429)
Public Safety	48,421	535	(6,098)	(6,098)
Public Health	25,929	-	(110)	(110)
Streets and Public Improvements	76,024	34,386	(41,638)	(41,638)
Park and Recreation	38,661	-	(34,027)	(34,027)
Total Governmental Activities	235,505	34,921	(116,302)	(116,302)
<b>Business-Type Activities:</b>				
Water Fund	51,140	-	-	1,804
Electric Fund	163,371	-	-	26,189
Total Business-Type Activities	214,511	-	-	27,993
Total Primary Government	450,016	34,921	(116,302)	(88,309)
<b>General Revenues:</b>				
Property Taxes			6,536	6,536
Sales Taxes			51,186	51,186
Impact Fees			-	2,248
Connection Fees			-	15,317
Unrestricted Investment Earnings			17,990	32,824
Total General Revenues and Transfers			75,712	108,111
Change in Net Assets			(40,590)	19,802
Net Assets - Beginning			704,945	1,637,624
Net Assets - Ending			664,355	1,657,426

The notes to the financial statements are an integral part of this statement.

**KANOSH TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2007**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	101,154	174,978	42,063	318,195
Accounts Receivable (Net)	2,583	-	-	2,583
Due From Other Government Units	7,452	-	-	7,452
<b>TOTAL ASSETS</b>	<u>111,189</u>	<u>174,978</u>	<u>42,063</u>	<u>328,230</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	10,681	-	-	10,681
<b>Total Liabilities</b>	<u>10,681</u>	<u>-</u>	<u>-</u>	<u>10,681</u>
<b>Fund Balances:</b>				
Reserved For:				
Perpetual Care	-	-	36,255	36,255
Unreserved, Reported In:				
General Fund	100,508	-	-	100,508
Special Revenue Funds	-	-	5,808	5,808
Capital Project Fund	-	174,978	-	174,978
<b>Total Fund Balance</b>	<u>100,508</u>	<u>174,978</u>	<u>42,063</u>	<u>317,549</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>111,189</u>	<u>174,978</u>	<u>42,063</u>	<u>328,230</u>

The notes to the financial statements are an integral part of this statement.

**KANOSH TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2007**

Total Fund Balances - Governmental Fund Types	317,549
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	43,168	
Buildings	15,900	
Improvements Other Than Buildings	14,400	
Equipment	98,065	
Infrastructure	<u>175,273</u>	

Total		<u>346,806</u>
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Net Assets of Government Activities	<u><u>664,355</u></u>
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**KANOSH TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	57,722		-	57,722
Licenses and Permits	5,350	-	-	5,350
Intergovernmental Revenue	34,921	-	41,557	76,478
Charges for Services	29,241	-	-	29,241
Interest	12,091	-	-	12,091
Miscellaneous Revenues	12,588	-	1,445	14,033
Total Revenues	151,913	-	43,002	194,915
<b>Expenditures:</b>				
Current:				
General Government	46,220	-	-	46,220
Public Safety	1,394	-	41,740	43,134
Public Health	25,929	-	-	25,929
Streets and Public Improvements	39,741	-	-	39,741
Parks and Recreation	36,751	-	-	36,751
Total Expenditures	150,035	-	41,740	191,775
Excess Revenues Over (Under)				
Expenditures	1,878	-	1,262	3,140
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out)	30,000	-	(30,000)	-
Net Change In Fund Balance	31,878	-	(28,738)	3,140
Fund Balance - Beginning	68,630	174,978	70,801	314,409
Fund Balance - Ending	100,508	174,978	42,063	317,549

The notes to the financial statements are an integral part of this statement.

**KANOSH TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2007**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	3,140
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Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(43,730)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(40,590)</u></u>
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**KANOSH TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

June 30, 2007

	Business-Type Activity Enterprise Fund		
	Water Fund	Electric Fund	Totals
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	223,484	143,689	367,173
Accounts Receivable	5,058	20,097	25,155
Total Current Assets	228,542	163,786	392,328
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	20,200	-	20,200
Capital Assets (Net of Accum. Depreciation)	676,433	223,159	899,592
Total Noncurrent Assets	696,633	223,159	919,792
<b>TOTAL ASSETS</b>	<b>925,175</b>	<b>386,945</b>	<b>1,312,120</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	956	18,387	19,343
Accrued Liabilities	-	1,311	1,311
Customer Deposits	850	4,090	4,940
Bond Interest Payable	2,550	-	2,550
Bonds Payable - Current Portion	17,200	-	17,200
Total Current Liabilities	21,556	23,788	45,344
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	273,705	-	273,705
<b>TOTAL LIABILITIES</b>	<b>295,261</b>	<b>23,788</b>	<b>319,049</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	385,528	223,159	608,687
Restricted for Bond Retirement	20,200	-	20,200
Unrestricted	224,186	139,998	364,184
<b>TOTAL NET ASSETS</b>	<b>629,914</b>	<b>363,157</b>	<b>993,071</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>925,175</b>	<b>386,945</b>	<b>1,312,120</b>

The notes to the financial statements are an integral part of this statement.

**KANOSH TOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

For The Fiscal Year Ended June 30, 2007

	Business-Type Activity		
	Enterprise Fund		
	Water Fund	Electric Fund	Totals
<b>Operating Revenues:</b>			
Charges for Sales and Services:			
Water	52,944	-	52,944
Electricity	-	189,560	189,560
<b>Total Operating Revenues</b>	<b>52,944</b>	<b>189,560</b>	<b>242,504</b>
<b>Operating Expenses:</b>			
Salaries and Wages	7,925	15,141	23,066
Maintenance and Operations	17,379	47,421	64,800
Purchase of Power	-	92,077	92,077
Depreciation	19,485	8,732	28,217
<b>Total Operating Expenses</b>	<b>44,789</b>	<b>163,371</b>	<b>208,160</b>
<b>Operating Income</b>	<b>8,155</b>	<b>26,189</b>	<b>34,344</b>
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	7,352	7,482	14,834
Connection Fees	1,800	13,517	15,317
Impact Fees	2,248	-	2,248
Interest Expense	(6,351)	-	(6,351)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,049</b>	<b>20,999</b>	<b>26,048</b>
<b>Change in Net Assets</b>	<b>13,204</b>	<b>47,188</b>	<b>60,392</b>
<b>Total Net Assets - Beginning</b>	<b>616,710</b>	<b>315,969</b>	<b>932,679</b>
<b>Total Net Assets - Ending</b>	<b>629,914</b>	<b>363,157</b>	<b>993,071</b>

The notes to the financial statements are an integral part of this statement.

**KANOSH TOWN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**For The Fiscal Year Ended June 30, 2007**

	Business-Type Activity - Enterprise Fund		
	Water Fund	Electric Fund	Totals
<b>Cash Flows From Operating Activities:</b>			
Receipts From Customers	56,320	193,353	249,673
Payments to Suppliers	(17,247)	(150,566)	(167,813)
Payments to Employees	(7,925)	(15,141)	(23,066)
<b>Net Cash Provided by Operating Activities</b>	<b>31,148</b>	<b>27,646</b>	<b>58,794</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal Paid on Capital Debt	(16,000)	-	(16,000)
Interest Paid on Capital Debt	(6,351)	-	(6,351)
Connection Fees	1,800	13,517	15,317
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(20,551)</b>	<b>13,517</b>	<b>(7,034)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest Received	7,352	7,482	14,834
Impact Fees	2,248	-	2,248
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>9,600</b>	<b>7,482</b>	<b>17,082</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>20,197</b>	<b>48,645</b>	<b>68,842</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>223,487</b>	<b>95,044</b>	<b>318,531</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>243,684</b>	<b>143,689</b>	<b>387,373</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>			
Operating Income	8,155	26,189	34,344
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:</b>			
Depreciation	19,485	8,732	28,217
<b>Increase (Decrease) in Operating Assets:</b>			
Accounts Receivable	3,376	3,793	7,169
Accounts Payable	182	(10,782)	(10,600)
Deposits Payable	(50)	(286)	(336)
<b>Total Adjustments</b>	<b>22,993</b>	<b>1,457</b>	<b>24,450</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>31,148</b>	<b>27,646</b>	<b>58,794</b>

The notes to the financial statements are an integral part of this statement.



**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Kanosh Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2007.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Kanosh Town is a municipal corporation in Millard County, Utah. It is governed by an elected mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Kanosh Town, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kanosh Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- Capital Projects Fund account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Government also reports the following Other Governmental Funds:

- Fire Department and Perpetual Care. These funds account for revenue sources that are restricted to expenditures for specific purposes.

- The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water and electric operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and electric funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	50 Years
Electric System	50 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting:**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**F. Property Taxes**

Property taxes are assessed and collected for the Town by Millard County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**G. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Kanosh Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year end, the carrying amount of the Town's deposits was \$91,125 and the bank balance was \$120,410. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2007, consist of the following:

	<u>Fair Value</u>
Cash On Hand	250
Demand Deposits	91,125
Investments - PTIF	<u>614,193</u>
Total Cash and Investments	<u><u>705,568</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	281,940
Governmental Activities - Restricted	36,255
Business-Type Activities - Unrestricted	367,173
Business-Type Activities - Restricted	<u>20,200</u>
Total Cash and Cash Equivalents	<u><u>705,568</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$0 of the local government's bank balances of \$120,410 were uninsured and uncollateralized.

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2007, the local governments has investments of \$614,193 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**NOTE 3 - BOND RESERVES**

The Water Revenue Bonds require the following reserves:

1980 Series A - \$57 per month / maximum of \$6,780	6,780
1985 Series B - \$37 per month / maximum of \$3,750	3,750
1985 Series B - \$32 per month / maximum of \$3,200	3,200
2003 Series - \$135.25 per month / maximum of \$17,000	<u>6,470</u>
Total	<u><u>20,200</u></u>

The balance of reserves at year end was \$20,200.



**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	30,000	-	-	30,000
Land Related to Infrastructure	13,168	-	-	13,168
 Total Capital Assets Not Being Depreciated	 43,168	 -	 -	 43,168
Capital Assets Being Depreciated:				
Buildings	46,000	-	-	46,000
Improvements Other Than Bldgs	18,000	-	-	18,000
Equipment	163,124	-	-	163,124
Infrastructure	534,250	-	-	534,250
 Total Capital Assets Being Depreciated	 761,374	 -	 -	 761,374
Less Accumulated Depreciation For:				
Buildings	28,950	1,150	-	30,100
Improvements Other Than Bldgs	2,700	900	-	3,600
Equipment	50,092	14,967	-	65,059
Infrastructure	332,264	26,713	-	358,977
 Total Accumulated Depreciation	 414,006	 43,730	 -	 457,736
 Total Capital Assets Being Depreciated (Net)	 347,368	 (43,730)	 -	 303,638
 Governmental Activities Capital Assets, Net	 390,536	 (43,730)	 -	 346,806

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	<u>15,688</u>	<u>-</u>	<u>-</u>	<u>15,688</u>
Total Capital Assets Not Being Depreciated	<u>15,688</u>	<u>-</u>	<u>-</u>	<u>15,688</u>
Capital Assets Being Depreciated:				
Water System	974,245	-	-	974,245
Electric System	<u>436,600</u>	<u>-</u>	<u>-</u>	<u>436,600</u>
Total Capital Assets Being Depreciated	<u>1,410,845</u>	<u>-</u>	<u>-</u>	<u>1,410,845</u>
Less Accumulated Depreciation For:				
Water System	294,015	19,485	-	313,500
Electric System	<u>204,709</u>	<u>8,732</u>	<u>-</u>	<u>213,441</u>
Total Accumulated Depreciation	<u>498,724</u>	<u>28,217</u>	<u>-</u>	<u>526,941</u>
Total Capital Assets Being Depreciated (Net)	<u>912,121</u>	<u>(28,217)</u>	<u>-</u>	<u>883,904</u>
Business Type Activities Capital Assets, Net	<u>927,809</u>	<u>(28,217)</u>	<u>-</u>	<u>899,592</u>
Total Capital Assets	<u><u>1,318,345</u></u>	<u><u>(71,947)</u></u>	<u><u>-</u></u>	<u><u>1,246,398</u></u>

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	250	-	250
Public Safety	5,287	-	5,287
Public Health	-	28,217	28,217
Highways and Public Improvements	36,283	-	36,283
Parks and Recreation	1,910	-	1,910
Total Depreciation Expense	<u>43,730</u>	<u>28,217</u>	<u>71,947</u>

**NOTE 5 - LONG-TERM DEBT**

**1980 Water Revenue Bonds - Series A:**

During 1980 the Town issued water revenue bonds in the amount of \$115,800 with interest at 5%.

The following is a schedule of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	4,200	2,781	6,981
2008-2009	4,409	2,581	6,990
2009-2010	4,629	2,371	7,000
2010-2011	4,861	2,151	7,012
2011-2012	5,104	1,919	7,023
2013-2017	31,702	4,288	35,990
Total	<u>54,905</u>	<u>16,091</u>	<u>70,996</u>

The Town obtained financing for the purpose of constructing a new water tank and culinary water lines during 2004. The funding for the project was as follows:

**Water Revenue Bonds - Series 2003:**

Drinking Water Board Loan	340,000.00
CDBG Grant	90,000.00
Local Share (Kanosh)	<u>30,000.00</u>
Total	<u>460,000.00</u>

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The Drinking Water board will forgive 20% or \$65,285 of the \$326,385 loan. The balance of the loan, \$261,100, requires yearly payments including interest at 1.44%.

The following is a schedule of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	13,000	3,414	16,414
2008-2009	13,000	3,241	16,241
2009-2010	13,000	3,054	16,054
2010-2011	13,000	2,867	15,867
2011-2012	13,000	2,680	15,680
2013-2017	69,000	10,548	79,548
2018-2022	74,000	5,507	79,507
2023-2027	28,000	462	28,462
Total	<u>236,000</u>	<u>31,773</u>	<u>267,773</u>

The bond requires a bond reserve payment of \$135.25 per month for 120 months to a maximum of \$17,000.00. In addition the Town is required to maintain a capital replacement fund equal to 5% of the operating budget including debt service payments.

The following is a schedule of total debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	17,200	6,195	23,395
2008-2009	17,409	5,822	23,231
2009-2010	17,629	5,425	23,054
2010-2011	17,861	5,018	22,879
2011-2012	18,104	4,599	22,703
2013-2017	100,702	14,836	115,538
2018-2022	74,000	5,507	79,507
2023-2027	28,000	462	28,462
	<u>290,905</u>	<u>47,864</u>	<u>338,769</u>

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of changes in bonds payable at June 30, 2007:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2006	Current Year Changes		Outstanding June 30, 2007
					Issued	Matured	
Water Revenue Bonds Series A	1980	5%	115,800	58,905	-	4,000	54,905
Water Revenue Bonds Series 2003	2003	1.44%	272,000	248,000	-	12,000	236,000
Total			387,800	306,905	-	16,000	290,905

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 6 - CLASS "C" ROADS**

The following is a schedule of receipts and expenditures in Class "C" Roads:

Balance - Beginning of Year		-
Receipts:		
State Allotments	34,386	
Interest	<u>1,720</u>	
Total Receipts		36,106
Expenditures		<u>(36,106)</u>
Balance - End of Year		<u><u>-</u></u>

**NOTE 7 - SPECIAL REVENUE FUND**

During 1987 Kanosh Town joined the Millard County Fire District which is a Special Service District. The Special Service District levies and collects taxes for the members of the Fire District. These monies are then remitted, based upon an agreed formula, to the towns involved in the District to be used for fire control.

The following is a statement of changes in the fire department of the Special Revenue Fund:

Fund Balance - Beginning of Year		5,760
Revenues:		
Special Service District	11,195	
Other	30,362	
Interest	<u>231</u>	
Total Revenues		41,788
Expenditures		
Materials and Supplies	(35,357)	
Gas and Oil	(4,449)	
Utilities	(1,359)	
Services	<u>(575)</u>	
Total Expenditures		<u>(41,740)</u>
Fund Balance - End of Year		<u><u>5,808</u></u>

**KANOSH TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 8 - PERMANENT FUND - PERPETUAL CARE**

The following is a statement of changes in the Cemetery Perpetual Care Fund:

Fund Balance - Beginning of Year	65,041
Revenues	1,214
Expenditures	<u>(30,000)</u>
Fund Balance - End of Year	<u><u>36,255</u></u>

**NOTE 9 - IMPACT FEES**

During the year the Town approved implementing a water fee table setting fees Kanosh can charge for impact fees for new water connections. The fee for 2006-2007 was \$2,248. The Town had a Culinary Water System Analysis and Impact Fee Analysis prepared prior to adopting the ordinance. All of the impact fees have been spent on approved expenditures.

**NOTE 10 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries and disasters. The Town is insured through the Utah Local Government Trust for general liability coverage. The limits of coverage is \$2,000,000 with \$0 deductible for each occurrence for both comprehensive general liability and automobile liability. Uninsured motorist has a \$50,000 limit per each accident.

The Town is insured for property and equipment loss through the Utah Local Government Trust. This coverage is for all buildings and equipment owned by the Town. The coverage is for replacement cost with a \$0 deductible. The Town also has health and accident coverage for employees through the Trust.

Claims have not exceeded coverage in any of the last three calendar years.

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is used to assist in formatting for easier reading)



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**KANOSH TOWN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For The Fiscal Year Ended June 30, 2007**

**Budgetary Comparison Schedules:**

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

**Budgeting and Budgetary Control:**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations:**

For the year ended June 30, 2007, spending for all funds and departments of the Town was within the approved budgets.

**KANOSH TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
<b>Revenues:</b>			<u>Basis</u>	<u>Positive</u>
<b>Taxes:</b>				<u>(Negative)</u>
General Property Taxes	5,950	5,950	5,522	(428)
Delinquent Prior Years Taxes	250	250	275	25
General Sales and Use Taxes	42,000	42,000	51,186	9,186
Fee-In-Lieu	1,200	1,200	737	(463)
Total Taxes	<u>49,400</u>	<u>49,400</u>	<u>57,720</u>	<u>8,320</u>
<b>Licenses and Permits:</b>				
Animal Licenses	1,000	1,000	760	(240)
Business Licenses	350	350	130	(220)
Building Permits	3,550	3,550	4,460	910
Total Licenses and Permits	<u>4,900</u>	<u>4,900</u>	<u>5,350</u>	<u>450</u>
<b>Intergovernmental Revenue:</b>				
Class C Road	31,000	31,000	34,386	3,386
State Liquor Allotment	645	645	535	(110)
State Grants	3,500	3,500	-	(3,500)
Total Intergovernmental Revenue	<u>35,145</u>	<u>35,145</u>	<u>34,921</u>	<u>(224)</u>
<b>Charges for Services:</b>				
Cemetery	4,000	4,000	2,800	(1,200)
Park and Recreation Fees	-	-	120	120
Refuse Collection Charges	20,000	20,000	25,821	5,821
Inspection Fees	3,000	3,000	-	(3,000)
Library Use Fees	-	-	500	500
Total Charges for Services	<u>27,000</u>	<u>27,000</u>	<u>29,241</u>	<u>2,241</u>
<b>Miscellaneous Revenue:</b>				
Interest	17,000	17,000	17,990	990
Rents	1,500	1,500	1,103	(397)
Other	2,000	2,000	5,588	3,588
Transfer from Perpetual Care	30,000	30,000	30,000	-
Use of Fund Balance	96,655	96,655	-	(96,655)
Total Miscellaneous Revenue	<u>147,155</u>	<u>147,155</u>	<u>54,681</u>	<u>(92,474)</u>
<b>Total Revenues</b>	<u>263,600</u>	<u>263,600</u>	<u>181,913</u>	<u>(81,687)</u>

**KANOSH TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
General Government:				
Salaries	30,000	30,000	10,346	19,654
Administration	38,600	38,600	35,874	2,726
Total General Government	68,600	68,600	46,220	22,380
Public Safety:				
Fire Department	20,000	14,000	-	14,000
Emergency Services	1,000	1,000	1,394	(394)
Total Public Safety	21,000	15,000	1,394	13,606
Public Health:				
Sanitation	20,000	26,000	25,929	71
Highway and Public Improvements:				
Repairs and Maintenance	110,000	110,000	39,741	70,259
Parks and Recreation:				
Cemetery	31,000	31,000	28,337	2,663
Parks	13,000	13,000	8,414	4,586
Total Culture and Recreation	44,000	44,000	36,751	7,249
Total Expenditures	263,600	263,600	150,035	113,565
Excess Revenues Over (Under) Expenditures	-	-	31,878	31,878
Fund Balance - Beginning			68,630	
Fund Balance - Ending			100,508	

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**COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES**

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**KANOSH TOWN  
NONMAJOR GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2007**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Fire Department Fund:**

This fund is used to account for revenues received from the Millard County Fire District and related expenditures for fire protection.

**PERMANENT FUND**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Fund**

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**KANOSH TOWN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2007

	<u>Fire Department</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
<b>ASSETS</b>			
Investments - Unrestricted	<u>5,808</u>	<u>36,255</u>	<u>42,063</u>
<b>TOTAL ASSETS</b>	<u><u>5,808</u></u>	<u><u>36,255</u></u>	<u><u>42,063</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved:			
Perpetual Care Fund	-	36,255	36,255
Unreserved, Reported in:			
Special Revenue Funds	<u>5,808</u>	<u>-</u>	<u>5,808</u>
<b>Total Fund Balances</b>	<u><u>5,808</u></u>	<u><u>36,255</u></u>	<u><u>42,063</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>5,808</u></u>	<u><u>36,255</u></u>	<u><u>42,063</u></u>

**KANOSH TOWN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2007

	<u>Fire Department</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
<b>Revenues:</b>			
Intergovernmental	11,195	-	11,195
Fire Reimbursement	30,362	-	30,362
Miscellaneous	231	1,214	1,445
	<u>41,788</u>	<u>1,214</u>	<u>43,002</u>
<b>Total Revenues</b>			
	<u>41,788</u>	<u>1,214</u>	<u>43,002</u>
<b>Expenditures:</b>			
Current:			
Public Safety	41,740	-	41,740
	<u>41,740</u>	<u>-</u>	<u>41,740</u>
<b>Total Expenditures</b>			
	<u>41,740</u>	<u>-</u>	<u>41,740</u>
<b>Excess Revenues Over (Under)</b>			
Expenditures	48	1,214	1,262
<b>Other Financing Sources (Uses):</b>			
Transfer to General Fund	-	(30,000)	(30,000)
	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
<b>Net Change in Fund Balance</b>			
	48	(28,786)	(28,738)
<b>Fund Balances - Beginning</b>			
	5,760	65,041	70,801
	<u>5,760</u>	<u>65,041</u>	<u>70,801</u>
<b>Fund Balances - Ending</b>			
	<u>5,808</u>	<u>36,255</u>	<u>42,063</u>



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## **COMPLIANCE SECTION**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council  
Kanosh Town  
Kanosh, Utah 84637

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kanosh Town as and for the year ended June 30, 2007, which collectively comprise Kanosh Town's basic financial statements and have issued our report thereon dated August 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kanosh Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kanosh Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kanosh Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Kanosh Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kanosh Town's financial statements that is more than inconsequential will not be prevented or detected by Kanosh Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Kanosh Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and Town Council  
Kanosh Town  
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanosh Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 7, 2007  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council  
Kanosh Town Corporation  
Kanosh, Utah 84637

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kanosh Town, for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 7, 2007. As part of our audit, we have audited Kanosh Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2007. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Kanosh Town's financial statements.)

Fire Department Grant (Department of Public Safety)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Kanosh Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and Town Council  
Kanosh Town  
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Kanosh Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2007.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 7, 2007  
Richfield, Utah